



The U.S. News-Letter

WASHINGTON

A PRIVATE WEEKLY REPORT AND FORECAST FROM U.S. NEWS & WORLD REPORT

2300 N Street, N.W. • Washington, D.C. 20037
Tel.: (202) 333-7400 • Cable Address: WORLDREPOR

July 4, 1975

Dear Subscriber:

As the year's third quarter gets started -- what outlook for business?
It will grow gradually healthier in coming weeks, as we predicted June 6.
Fixing the exact day or week when a recession ends is a statistical exercise.
The main thing is that the economy's vital signs are now signaling an upturn.

Retail sales are rising, despite public reluctance to spend rebate checks.
In several lines -- apparel, dining out, food stores -- trade is quite good.

Orders for manufacturers' durable goods are trending higher. In April
there was a surge of 9.2% -- followed by another, but smaller, gain in May.

The job market is beginning to stabilize. In most regions of the country
want-ad volume is peppier. The biggest jump recently: West North Central.

People's real spendable earnings grew 4.4% in May, following 12 months
of decline. But a catch in that: The income tax cut hypoed the numbers.

However, you should be alert to some "blips" on the economic radar screen.
The first increase in the prime rate in six months is one unsettling sign.
And the high level of bidding at the Treasury gold auction is another --
it means investors are bullish on gold for fear of more inflationary pressures.
Also, watch food prices -- the effect of record floods in the Upper Midwest.
And natural gas shortages will tilt the economy in the North this winter.

You know, of course, how important housing is to the future of business.

It is looking brighter, and the expectation of U.S. housing economists
and leaders in the industry is for continued strengthening as 1975 moves on.

Despite a record money flow to thrift institutions, much of it has gone
to restore depleted reserves and to pay back the Federal Home Loan Bank Board
for advances to S&Ls during 1974's big financial drain. Some mortgage loans
being picked up, but mostly for older homes. Little push on new housing so far.

Some forecasters are now toning down their expectations for housing starts.
One reason, we're told: a lag in multifamily construction. Heavy concentration
of activity in single-family homes "...can't carry the recovery by itself."

Why the lingering slump in the multifamily field? Several reasons:
Construction of rental units is unprofitable at current interest rates,
and average rents have not been rising enough to smoke out investors.

Another depressant: Condominiums are still a huge glut on the market --
200,000 remain unsold. Authorities say that it may take from 3 to 5 years
to fill up empty condos at resorts in Florida and at some beaches up north.
So, bargains for those with enough cash to buy and hold until the next rise.

Nonvacation condos are doing better -- in L.A., Chicago, other places.

Another Federal Trade Commission probe of condo sales practices is due.

One such FTC inquiry was broken off last March, but \$75,000 has been OK'd
by the House to resume the investigation. We predict the Senate will go along.

You can expect to pay more for wood and wood-based products by mid '76.

The recovery will bring that about, prices climbing as U.S. lumber mills get back into the swing after bumping the lowest production levels in 25 years.

Example: One producer is selling 1,000 board-feet of Douglas fir 2 x 4s for \$150 -- up from \$120 in fourth quarter '74, but down from \$190 in early '73.

Will mean a jump in what you pay for houses, boards, paper, furniture and other things made in whole or part from wood. Experts in the timber field tell us that after another 10% dip, prices will be rising by the end of 1975, and a year from now, sharp increases -- 20-30% at the mills, which could mean as much as 50% more to the consumer. Upshot of a scramble in a tight market.

How will all this affect the price of a new home? By about a half of 1% for each 30% hike in builder lumber costs. Wood accounts for 15% of the total. Peanuts compared to what big wage increases for construction workers could do, because labor costs make up about 50% of the price tag on a dwelling. Still -- you might want to pick up your lumber now, if you are planning to build in '76.

The recovery is casting even more sunlight into the nation's woodlands -- in the form of a slowly brightening outlook for jobs in the forestry field.

No noticeable spurt yet -- but worth watching if you are considering any one of over 500 job opportunities in the production chain from tree to mill.

One of our reporters who recently toured several of the Northwest forests bore down hard on the employment possibilities, since so many younger Americans show a preference for careers in the outdoors -- with an eye to preserving it.

Here are some of the positions in forestry, along with their pay scales: Choker setters -- people who put cables on logs so they can be hauled uphill -- make about \$4.70 an hour. Dangerous, though. The cables sometimes snap. Tree-fellers -- \$8.50 an hour. Operators of heavy equipment for hauling logs, anywhere from \$6.25 to \$7. Truck drivers? \$6.50 Planters? Only \$4.50.

Opportunities for women too -- even in the more hazardous lines of work.

There's a whole gamut of forestry-related careers -- for helicopter pilots, tree geneticists, and public relations specialists. Slots for PhDs, Masters. They are especially useful in research aimed at producing more wood per tree.

Turn to the labor-relations field -- an important development is afoot.

The name for it: The labor-management committee -- over 500 of them now, half in the steel industry. They go beyond wages, hours and working conditions and discuss increased output and reduced waste, quality control, absenteeism -- areas of concern that used to be the exclusive domain of company management.

Government is pushing this -- Labor Secretary Dunlop is a key sparkplug. But others as well, notably W.J. Usery, director of the Mediation Service. Also the Commission on Productivity and Work Quality, headed by Rockefeller.

Initial goal: To head off strikes in next year's big round of bargaining. But beyond that -- what to do about production lags and foreign competition.

The idea works. Output was up 32% in six months in a plant that tried it.

Spot postal strikes may erupt late this month, after the cut-off date of July 20 on the current contract between the Postal Service and its unions.

Most workers are expected to stay on the job, even if the contract talks extend beyond the 20th, which is what many close observers expect to happen. But, here and there, slowdowns or shutdowns are possible -- so be on the alert.

The Postal Service is desperately short of funds, has let Congress know that it won't be able to meet its payroll by October unless there is a bail-out. Chances for that? Good, although Congress presently is moving at a snail's pace.

Retired? Considering it? In any case, note what we learned from couples living in so-called "retirement communities" in various areas of the U.S.

We chose three such places for our survey -- self-contained living sites.

We talked mainly with middle-income residents, so please read our report in that context. It's not a story about after-65 life among the low incomers. Nor is it a glimpse at the golden years of the wealthiest in our society.

We focused on costs, what retirees are spending, and how they spend it.

We focused on attitudes, how the retired feel about their new lifestyles.

We asked for specific figures, income and outlay, to help you get an idea of what retired life costs. Not a scientific probe, but a basis for comparison.

Mary and George X (real people) live in a \$30,000 home at Sun City, Ariz.

They moved there two years ago from Chicago. George is an ex-engineer, his wife a retired schoolteacher. They like the people in the new surroundings, the recreation facilities at their disposal, and the usually mild weather. They don't like the violent summer storms that sometimes sweep the area.

Working with a \$25,000 a year income, here are some of their expenses:

Food	\$ 2,000	Travel	\$1,500
Clothing	800	Auto	300
Recreation	750	House, pool	3,000
Investing	10,000	Other expenses	6,650

Nancy and Mike R live at Hawthorne in Leesburg, Fla. in a "modular" they bought two years ago for \$20,000, after selling their house in Evansville, Ind. He is a former minister, she a housewife. They particularly like the climate.

With an income of \$10,000 a year now, their money goes this way:

Food	\$1,700	Travel	\$2,000
Clothing	200	Auto	(none)
Recreation	50	House upkeep	1,100
Investing	1,000	Other expenses	3,950

Clive and Harriet Q reside at Hilltop, in New London, New Hampshire.

They paid \$42,000 for their home there, after pulling up stakes in 1973 in Huntington, L.I. He was with an investment firm, and she designed dresses. They love the scenery, the skiing, feel Hilltop homes afford "breathing space."

With a retirement income of \$15,000, here are their expenses:

Food	\$1,450	Travel	\$5,000
Clothing	400	Auto	300
Recreation	525	House upkeep	1,092
Investing	3,500	Other expenses	2,733

A partial expense list, of course. Doesn't spell out medical-care or taxes, the former running higher for older people than it does for young Americans. But the over-65s spend less than the young for liquor, travel, and recreation.

How much inflation should the retired expect? 25% more -- by 1980.

We were surprised that each couple has enough left over for "investing" in a time of inflation -- although lighter family obligations may explain that. Those we consulted emphasized that it's nice to be among people with interests they share -- golfing, bridge, gardening. "People at home when you're home." But, all advise that you rent before buying in such places. Try it out first.

As of today, 199 candles are burning on the national birthday cake, and -- in just one year -- the grandest Independence Day celebration of our lifetime.

The enclosed Bicentennial Special will help you plan a trip to Washington, whether this year or next. We suggest that you give it a careful once-over -- show it to family and friends, then tuck it away for use when the time comes. (We have a limited number of extra copies -- would be happy to mail you one. Send a stamped, self-addressed envelope to Elizabeth Trafton, this address.)

Sending you the Newsmaker Map is in line with our commitment to provide useful facts you're not likely to see elsewhere. Did you realize, for example, that the Soviet Embassy (note hammer and sickle flag in the middle of the map) is just two blocks north of the White House, closer, by chance, than any other?

Robert Barr, our veteran Capitol Hill reporter, dug out background material for the project. He is unique in his ability to ferret out the unexpected news from remote pages of the voluminous Congressional Record, which he reads daily. We asked him to apply this talent to early American history. Some tidbits:

Not many years after they landed, the founders of Jamestown were faced with labor trouble. Five Polish glassblowers whom John Smith had brought along sat down on the job until granted voting rights. No sooner was that settled, than the first blacks arrived, but slavery wouldn't become an issue until later.

When the time came to declare independence from Britain, public opinion among the 2.5 million colonists was hardly united -- only about a third of them were in favor, another third supported the Crown, the rest were uncommitted.

But feelings ran strong in a North Carolina county, Mecklenburg by name. It was there that the settlers declared for freedom over a year ahead of time, May 20, 1775, to be exact. Only county that's already marked its Bicentennial.

The new nation was in dire shape in 1789, the year of the Constitution. Four million citizens, most of them struggling farmers, had to put up with wretched transport routes, a hodgepodge currency and a mammoth national debt -- interest alone hit a million dollars a month (it's three billion a month now).

Revolutionary leaders learned early the ways of political wheeling-dealing, and it was an instrument in the decision to locate the capital in a swampland on the Potomac. In return for their aid in getting the Government to assume wartime debts of states, Hamilton backed Jefferson and Madison on the selection.

When Washington and a French engineer, Pierre L'Enfant, surveyed the site, it was a mosquito-infested marsh in sharp contrast to the nearby communities of Alexandria and Georgetown. Yet in just two years, the President returned to lay the cornerstone of the Capitol atop a rise known as Jenkins Hill.

Washington died in 1799, never to see a finished Capitol, but the building was far enough along in the fall of 1800 for the Sixth Congress to convene and hear Adams address a joint session, last President to do so until Wilson.

Even by Jefferson's term, the Federal City remained a crude village. For life's comforts, a trip to Georgetown was called for. But a luxurious tone was set by Jefferson: a French chef and -- one year -- a \$2,800 wine bill.

Sincerely yours,

The Editors
The U.S. News-Letter

Vol. 1, No. 27